



DEPARTMENT OF THE NAVY

NAVAL HOSPITAL

BOX 788250

MARINE CORPS AIR GROUND COMBAT CENTER

TWENTYNINE PALMS, CALIFORNIA 92278-8250

IN REPLY REFER TO:

NAVHOSP29PALMSINST 5200.1

Code 0006

10 July 1997

NAVAL HOSPITAL TWENTYNINE PALMS INSTRUCTION 5200.1

From: Commanding Officer

Subj: MANAGEMENT CONTROL PROGRAM

Ref: (a) Federal Managers' Financial Integrity Act FY 1994
(b) BUMEDINST 5200.13
(c) SECNAVINST 5200.35B
(d) OPNAVINST 5200.25B

Encl: (1) Inventory of Assessable Units for Naval Medical
Department Activities by Functional Category for
FY 92-97
(2) Guidance for Performance of Risk Assessments
(3) Guidance for Performance of Management Control
Evaluations
(4) Management Control Program Reporting Requirement

1. Purpose. To establish policy and procedure for the Naval Hospital Management Control Program, as required in references (a) through (d).

2. Background. Reference (a) requires each manager to conduct an annual evaluation so they have reasonable assurance that the systems of management controls are effective in safeguarding assets. Reference (b) amended reference (a) to provide policies, procedures, and reporting requirements for the periodic review and improvement of management control systems and to reduce potential for waste, fraud, abuse, mismanagement, and unfavorable public opinion within the Naval Medical Department. References (c) and (d) implemented references (a) and (b), provided a vehicle to ensure periodic review and improvement of management controls, and established corollary reporting requirements.

3. Policy. It is the Commanding Officer's policy that all Naval Hospital components shall maintain effective systems of internal accounting and administrative control. All levels of management shall involve themselves in assuring the adequacy of controls and evaluating management control systems on an ongoing basis.

4. Responsibilities. The Commanding Officer has overall responsibility for the establishment and maintenance of systems of management control. To support the Commanding Officer in this role, the following responsibilities are assigned:

NAVHOSP29PALMSINST 5200.1
10 July 1997

a. Head, Command Evaluation shall oversee the development and implementation of the Management Control Program within this command. This responsibility includes:

(1) Coordinating the effort to ensure responsible managers design, document, and operate management control systems that provide reasonable assurance that the objectives and standards of management control are met and periodically reviewed;

(2) Ensuring management control systems are implemented and function as intended;

(3) Ensuring performance of vulnerability assessments and management control reviews and annually report results thereof as prescribed by references (d) and (f);

(4) Ensuring both civilian and military managers responsible for internal controls reviews are identified and performance appraisals of these individuals reflect management control responsibilities.

(5) As the Management Control Program Coordinator, the Head, Command Evaluation is responsible for evaluating compliance with instruction, performing reviews of management control documentation and systems in conjunction with scheduled reviews and reporting significant management control deficiencies and accomplishments utilizing enclosures (3) and (4).

b. Directors and Department Heads are responsible for designing, documenting, implementing and reviewing management control systems for programs and functions under their purview with guidance provided by enclosures (1) through (2).

5. Action. All Directors and Department Heads shall comply with the policy and procedures set forth in this instruction. Vulnerability assessments and management control reviews shall be performed and their results reported in accordance with the procedures outlined in references (b) and (c). As management control reviews are completed, the results shall be reported to the Commanding Officer via the Head, Command Evaluation.



R. S. KAYLER

Distribution:
List A

INVENTORY OF ASSESSABLE UNITS FOR
NAVAL MEDICAL DEPARTMENT ACTIVITIES
BY FUNCTIONAL CATEGORY
FY 92-97

1. FUNCTIONAL CATEGORY: Research, Development, Test and Evaluation
 - 01.001 Research Contracts
 - 01.002 Informed Consent (Human Use)
 - 01.003 Intra-Command Information Dissemination
 - 01.004 Research Planning, Programming and Budgeting System
2. FUNCTIONAL CATEGORY: Major Systems Acquisitions
 - 02.00x (For future BUMED assignment of review areas)
3. FUNCTIONAL CATEGORY: Procurement
 - 03.001 Imprest Fund Procedures
 - 03.002 Sole Source Procedures
 - 03.003 Blanket Purchase Agreement Procedures
 - 03.004 Competition Advocacy Program
 - 03.005 Investment Equipment Management Procedures
 - 03.006 Central Procurement of Medical Equipment Program
 - 03.007 Reprographic Equipment Acquisition Procedures
4. FUNCTIONAL CATEGORY: Contract Administration
 - 04.001 Contract Initial Issuance and Renewal Procedures
 - 04.002 Quality Assurance Review Procedures
5. FUNCTIONAL CATEGORY: Force Readiness
 - 05.001 Navy Manpower Mobilization System Program
 - 05.002 Logistics Support and Mobilization Plan Review
 - 05.003 Continuity of Operations Plan Review
 - 05.004 Disaster Preparedness Procedures
 - 05.005 National Disaster Medical System
 - 05.006 Deployable Medical Systems Review
 - 05.007 Medical Personnel Unit Augmentation System
 - 05.008 Mobile Medical Augmentation Readiness Team Review
6. FUNCTIONAL CATEGORY: Manufacturing, Maintenance, and Repair
 - 06.001 Medical Equipment Maintenance Program
 - 06.002 Dental Equipment Maintenance Program

NAVHOSP29PALMSINST 5200.1
10 July 1997

7. FUNCTIONAL CATEGORY: Supply Operations

- 07.001 Precious Metals Recovery Program
- 07.002 Excess Materiel Procedures
- 07.003 Hazardous Materiel Management
- 07.004 Warehouse Controls
- 07.005 Defense Regional Interservice Support Program
- 07.006 Document Flow Procedures
- 07.007 Inventory Control Procedures
- 07.008 Stock Fund Administration
- 07.009 Backorder File Maintenance Procedures
- 07.010 Food Service Operations

8. FUNCTIONAL CATEGORY: Property Management

- 08.001 Property Accounting Procedures
- 08.002 Property Disposal Procedures
- 08.003 Equipment Subcustody Procedures
- 08.004 Equipment Replacement Program
- 08.005 Dental Equipment and Facilities Report Procedures
- 08.006 Linen Inventory Control and Disposal Procedures
- 08.007 Missing, Lost, Stolen, or Recovered Report (MLSR) Procedures

9. FUNCTIONAL CATEGORY: Communications Security and Intelligence

- 09.001 Telephone Administration
- 09.002 Classified Material and Information Security
- 09.003 Physical Security Program
- 09.004 Administration of Security Clearances
- 09.005 Patient Valuables Security
- 09.006 Lock and Combination Change Requirements
- 09.007 Key Control Procedures

10. FUNCTIONAL CATEGORY: Information Technology

- 10.001 Software Acquisition Controls
- 10.002 ADP Security Program Requirements
- 10.003 Computer Backup Operation Procedures
- 10.004 Microcomputer Acquisition Procedures

11. FUNCTIONAL CATEGORY: Personnel and Organizational
Management

- 11.001 Administration of Leave and Liberty
- 11.002 Equal Employment Opportunity Affirmative Action
Program
- 11.003 Standards of Conduct Review
- 11.004 Command Suggestion Program
- 11.005 Incentive Award Program
- 11.006 Position Management Review
- 11.007 Conflict of Interest and Off-Duty Employment Review
- 11.008 Command Sponsor Program
- 11.009 Employee Development Program
- 11.010 Command Training Program
- 11.011 Command Safety Program
- 11.012 Family Advocacy Program
- 11.013 Federal Women's Program
- 11.014 Discrimination Complaint Procedures
- 11.015 Sexual Harassment Review Procedures
- 11.016 Command Managed Equal Opportunity Program (CMEQ)
- 11.017 Public Affairs Program
- 11.018 Efficiency Review Program

12. FUNCTIONAL CATEGORY: Comptroller or Resource Management

- 12.001 Unliquidated Obligations
- 12.002 Prompt Payment Procedures
- 12.003 Late Interest Payment Review
- 12.004 Travel Liquidation Procedures
- 12.005 Job Order Number Assignment and Review
- 12.006 Memorandum Accounting Procedures
- 12.007 Medical Expense Performance Reporting System
- 12.008 Year-End Spending Control Procedures
- 12.009 Unauthorized Commitment Control Procedures
- 12.010 Integrated Disbursing and Accounting System (IDA)
- 12.011 Medical Inventory Control System (MICS)
- 12.012 Integrated Disbursing and Accounting Claimant
Account Module
- 12.013 Funds Control Procedures
- 12.014 Reimbursable Order Procedures
- 12.015 Timekeeping Administrative Procedures
- 12.016 Overtime Control Procedures
- 12.017 Budget Preparation and Execution Procedures
- 12.018 Workman's Compensation Claim Review Procedures
- 12.019 Office of Medical Affairs Voucher Review Procedures
- 12.020 Outpatient and Inpatient Billing Procedures
- 12.021 Third Party Collection Procedures
- 12.022 Collectable Reimbursables
- 12.023 Internal Partnership Program Financial Review
Procedures
- 12.024 Overseas Workyear Controls

NAVHOSP29PALMSINST 5200.1
10 July 1997

13. FUNCTIONAL CATEGORY: Support Services

a. SUBFUNCTIONAL CATEGORY: Administrative Support

13A.001 Library Administration Procedures
13A.002 Accident Investigation and Reporting
Procedures
13A.003 Records Management Review Procedures
13A.004 Directives Management Review Procedures
13A.005 Printing Review Procedures
13A.006 Forms Management Control Procedures
13A.007 Appointment System Procedures
13A.008 Patient Contact Program
13A.009 Worldwide Outpatient Reporting System (WORS)
13A.010 Internal Partnership Program Administration
13A.011 Correspondence Controls
13A.012 Privacy Act and Freedom of Information
13A.013 Mailroom Operating Procedures

b. SUBFUNCTIONAL CATEGORY: Audit

13B.001 Command Evaluation Program
13B.002 Hotline Program
13B.003 Management Control Program
13B.004 Audit and Inspector General Followup Program

c. SUBFUNCTIONAL CATEGORY: Facilities and Base
Maintenance

13C.001 Minor Construction Review Procedures
13C.002 Energy Conservation Program
13C.003 Military Construction Program (MILCON)
13C.004 Public Quarters Fire Protection Plan
13C.005 Hazardous Waste Management

d. SUBFUNCTIONAL CATEGORY: Legal

13D.001 Administrative Discharge Procedures

e. SUBFUNCTIONAL CATEGORY: Medical and Dental

13E.001 Navy Drug Urinalysis Testing Program
13E.002 Medical Training and Education Program
13E.003 Dental Training and Education Program
13E.004 Industrial Hygiene Program
13E.005 Environmental Health Program
13E.006 Occupational Health Program
13E.007 Decedent Affairs Program
13E.008 Ambulance Transportation Procedures

13E.009 Defense Enrollment Eligibility Reporting
System
13E.010 Human Immunodeficiency Virus HIV Testing
Program
13E.011 CHAMPUS Program Administration
13E.012 Department of Veterans Affairs and
Department of Defense Resource Sharing Review
13E.013 Controlled Drug Procedures
13E.014 Disengagement Procedures
13E.015 Convalescent Leave Authorization Procedures
13E.016 Emergency Medical Technician Training Program
13E.017 Occupational Radiation Program
13E.018 Radiation Health Program
13E.019 Rabies Program
13E.020 Military Veterinary Medicine Program
13E.021 Problematic Medical Board Report Review
Procedures
13E.022 Bed Capacity and Bed Status Review
13E.023 Uniformed Services Health Benefits Program
13E.024 Overseas Screening and Exceptional Family
Member Program
13E.025 Substance Abuse, Prevention, and Control
Program
13E.026 Joint Health Benefits Delivery Program
13E.027 Prosthodontic Laboratory Procedures
13E.028 Dental Reserve Orientation and Education
Program
13E.029 Dental Information Retrieval System Program
13E.030 NAVCARE Program

f. SUBFUNCTIONAL CATEGORY: Medical Quality Assurance

13F.001 Blood Bank Procedures
13F.002 Alcohol and Drug Abuse Rehabilitation
Program
13F.003 Quality Assurance Administration
13F.004 Medical Credentialing Review Procedures
13F.005 Medical Examination Procedures
13F.006 Medical Records Administration
13F.007 Health Education Program
13F.008 AIDS Education Program
13F.009 Infectious Waste Management
13F.010 Smoking Cessation Program
13F.011 Hypertension Education, Prevention, and
Control Program
13F.012 Stress Management Control Program
13F.013 Dental Quality Assurance and Risk
Management Program

NAVHOSP29PALMSINST 5200.1
10 July 1997

13F.014 Dental Credentialing Review Procedures
13F.015 Medical Infection Surveillance Program
13F.016 Needle and Syringe Control Procedures

g. SUBFUNCTIONAL CATEGORY: Morale, Welfare, and
Recreation

13G.001 Bachelor Officer and Enlisted Quarters
Administration
13G.002 Ombudsman Program
13G.003 Welfare and Recreation Fund Administration
13G.004 Child Care Program

14. FUNCTIONAL CATEGORY: Security Assistance

14.00x (For future BUMED assignment of review areas)

15. FUNCTIONAL CATEGORY: Transportation and Mission Operations

a. SUBFUNCTIONAL CATEGORY: Transportation

15A.001 Vehicle Maintenance Review Procedures
15A.002 Vehicle Utilization Control Procedures
15A.003 Credit Card Control Procedures

b. SUBFUNCTIONAL CATEGORY: Mission Operations

15B.00X (For future BUMED assignment of review
areas)

16. FUNCTIONAL CATEGORY: Other (The following subfunctional
categories are to be used for
local inventory assignment of review
areas)

a. SUBFUNCTIONAL CATEGORY: Research, Development, Test,
and Evaluation

16A.00X (For local inventory use)

b. SUBFUNCTIONAL CATEGORY: Major System Acquisitions

16B.00X (For local inventory use)

c. SUBFUNCTIONAL CATEGORY: Procurement

16C.00X (For local inventory use)

- d. SUBFUNCTIONAL CATEGORY: Contract Administration
16D.00X (For local inventory use)
- e. SUBFUNCTIONAL CATEGORY: Force Readiness
16E.00X (For local inventory use)
- f. SUBFUNCTIONAL CATEGORY: Manufacturing, Maintenance
and Repair
16F.00X (For local inventory use)
- g. SUBFUNCTIONAL CATEGORY: Supply Operations
16G.00X (For local inventory use)
- h. SUBFUNCTIONAL CATEGORY: Property Management
16H.00X (For local inventory use)
- i. SUBFUNCTIONAL CATEGORY: Communications, Security,
and Intelligence
16I.00X (For local inventory use)
- j. SUBFUNCTIONAL CATEGORY: Information Technology
16J.00X (For local inventory use)
- k. SUBFUNCTIONAL CATEGORY: Personnel and
Organizational Management
16K.00X (For local inventory use)
- l. SUBFUNCTIONAL CATEGORY: Comptroller or Resource
Management
16L.00X (For local inventory use)
- m. SUBFUNCTIONAL CATEGORY: Administrative Support
16M.00X (For local inventory use)
- n. SUBFUNCTIONAL CATEGORY: Audit
16N.00X (For local inventory use)
- o. SUBFUNCTIONAL CATEGORY: Facilities and Base
Maintenance

NAVHOSP29PALMSINST 5200.1
10 July 1997

- p. SUBFUNCTIONAL CATEGORY: Legal
16O.00X (For local inventory use)
- q. SUBFUNCTIONAL CATEGORY: Medical and Dental
16P.00X (For local inventory use)
- r. SUBFUNCTIONAL CATEGORY: Medical Quality
Assurance
16R.00X (For local inventory use)
- s. SUBFUNCTIONAL CATEGORY: Morale, Welfare, and
Recreation
16S.00X (For local inventory use)
- t. SUBFUNCTIONAL CATEGORY: Security Assistance
16T.00X (For local inventory use)
- u. SUBFUNCTIONAL CATEGORY: Transportation
16U.00X (For local inventory use)
- v. SUBFUNCTIONAL CATEGORY: Mission Operations
16V.00X (For local inventory use)

Unit
Control
Number

Assessable Units Assigned For Review During FY 97

11.016	Command Managed Equal Opportunity Program (CMEO)
11.018	Efficiency Review Program
12.005	Job Order Number Assignment and Review
12.006	Memorandum Accounting Procedures
12.008	Year-End Spending Control Procedures
12.016	Overtime Control Procedures
12.018	Workman's Compensation Claim Review Procedures
13A.004	Directives Management Review Procedures
13A.005	Printing Review Procedures
13B.002	Hotline Program
13C.004	Public Quarters Fire Protection Plan
13D.001	Administrative Discharge Procedures
13E.001	Navy Drug Urinalysis Testing Program
13E.003	Dental Training and Education Program
13E.015	Convalescent Leave Authorization Procedures
13E.025	Substance Abuse, Prevention, and Control Program
13E.027	Prosthodontic Laboratory Procedures
13F.010	Smoking Cessation Program
13F.011	Hypertension Education, Prevention, and Control Program
13G.002	Ombudsman Program

GUIDANCE FOR PERFORMANCE OF RISK ASSESSMENTS

1. General

a. A risk assessment, or vulnerability assessment, is a brief evaluation of the susceptibility of an organizational resource to waste, abuse, mismanagement, fraud, or unfavorable public opinion, and is performed by management based on existing knowledge and experience. A risk assessment is not intended to be a massive or time-consuming process. The performance of risk assessments accomplishes three important tasks.

(1) Ensures periodic review of organizational vulnerabilities by management at least once every 5 years.

(2) Identifies organizational vulnerabilities to the responsible manager and communicates results through the chain of command.

(3) Provides a basis for planning subsequent actions. In some instances, a risk assessment can identify specific weaknesses in the management control system for which specific corrective actions can be readily determined.

b. A risk assessment is only a brief evaluation based on existing knowledge and experience that identifies specific management control weaknesses associated with programs or procedural areas; the determination of specific corrective actions will normally require further detailed review and evaluation. Risk assessments primarily serve as a basis for the prioritization of those locally determined areas for which management control evaluations will be performed. There are two types of risk assessments that may be used.

(1) Risk Assessment. Management's review of the susceptibility of an assessable unit to waste, loss, unauthorized use, errors in reports and information, illegal or unethical acts, or the perception that such situations may exist. Risk assessments will be performed to assess the vulnerability of all locally determined review areas using the form provided in attachment A to this enclosure. Completed forms will be kept by commands to certify that risk assessments were completed.

(2) Alternate Risk Assessment. An alternate risk assessment is based on management's knowledge of the assessable unit and how it functions or operates, its built-in controls, related information obtained from activity reporting systems, previous risk assessments, or information obtained from other sources provided to the commanding officer for review (e.g., command reviews, external audit reports, inspections, minutes taken at organizational meetings, etc.). Associated documentation must be held by commands to certify that alternative risk assessments were conducted.

2. Steps to the Performance of Risk Assessments

a. Organize the Process. The first step consists of organizing the process within the command and within organizational components which will perform risk assessments. Responsibility for management control and for performance of risk assessments must follow organizational lines within the chain of command. Therefore, risk assessments must be scheduled and local guidance and reporting instructions must be issued. Two important elements of the risk assessment process must also be addressed in this step. The identification of those areas for which assessments will be conducted and the organizational level at which risk assessment will be performed within the command must be determined. These assessments serve as a basis for the prioritization of subsequent MCRs to be performed, through which management will be able to identify specific needed improvements in management controls and take appropriate corrective action. Enclosure (1) identifies the current inventory of assessable units for the naval Medical Department. The units presented in enclosure (1) are based on areas for review identified by the Command Inspection Program, and high-visibility areas cited for review by the NAVAUDSVC, GAO, Department of Defense Inspector General (DoDIG), and Naval Inspector General. Risk assessment are not required to be performed for these mandated units. However, risk assessments or alternate risk assessments must be performed for all locally determined inventory units at least once every 5 years. These locally determined inventory units identified for review will be prioritized and incorporated into the BUMED directed plan based on risk assessment results. Attachment A to this enclosure identifies guidelines for the performance of risk assessments.

b. Perform Risk Assessment. The second step is to perform assessments for all locally determined inventory units using the Vulnerability Assessment Form (NAVCOMPT 2283) and related guidance provided in attachment A to this enclosure. This form uses an abbreviated numerical rating value to rate overall risk for an assessable unit. While use of this technique will generally result in a satisfactory overall risk assessment rating, it must be emphasized to personnel conducting the assessment that overall ratings can be subjectively increased or decreased based on management judgment, experience, and relative weight given to some rating factors. When an overall rating assigned differs from the rating obtained using the abbreviated numerical rating values, appropriate comment should be made in block 23 on the form. Alternate risk assessments will be documented using the options and associated criteria presented in paragraph 1b above.

c. Schedule Follow-on Management Control Evaluations. The third step is to use the results of risk assessments to prioritize and schedule follow-on MCRs for locally determined assessable units during the 5-year cycle (currently FY 92-96). Units rated as possessing "high" vulnerability must have management control evaluations performed during the first 2 years of the 5-year cycle. Assessable units rated as possessing "medium" vulnerability will normally have MCRs performed during the remaining 3 years. Units rated "medium" may be assigned for review over the entire 5-year to equitable review distribution. Units rated "low" are not required to be scheduled for review. Local reports and followup systems must be established to schedule and monitor the performance of follow-on management control evaluations for all BUMED directed locally determined inventory units. These local reports and followup systems will provide for identification of the type and nature of management control evaluation to be performed, designation of the person or office responsible for conducting each evaluation, and establishment of timeframes for performance of reviews and completion of corrective actions.

COMPLETING THE VULNERABILITY ASSESSMENT FORM

Mark the blocks which come closest to describing the program, function, or activity being assessed.

1. Organization. Enter the activity/command conducting the VA.
2. Organization Code. Enter your organization code.
3. Program/Function/Activity. Enter the assessable unit under evaluation.

GENERAL CONTROL ENVIRONMENT. Blocks 4-9 cover some of the organizational, procedural, and operational factors which can have an impact on the effectiveness of internal controls.

4. Emphasis on Internal Controls. Select one of the following:

Major Emphasis: Internal Controls are considered in the planning and operations of functions and programs at each level within the organization.

Moderate Emphasis: Controls are considered in one or more of the following: evaluation of operations, performance appraisals, and external requirements.

Minor Emphasis: There is little evident consideration of internal controls at most levels within the organization.

5. Coverage by Written Procedures: The basic issue is whether procedures for employees to follow within the general rules, and how much discretion is allowed. Usually, the more discretion allowed, the more potential for abuse. An example involving no discretion would be time and attendance system; allocation of staffing or budget resources would represent significant discretion.

6. Specifying Goals and Measuring Accomplishments. Establishing program and budgeting goals provides an office and its employees with benchmarks for measuring accomplishments. When these goals are not established, reviewed periodically, updated, and disseminated to employees, successful achievement is less likely.

NAVHOSP29PALMSINST 5200.1
10 July 1997

7. Adequacy of Checks and Balances. Checks and balances are utilized so that authority for certain functions is hared among two or more employees or organization levels to minimize the potential of waste, fraud. abuse, or mismanagement. Determine first if checks and balances are appropriate, and if so, are they adequate to protect the resource from manipulation, misappropriation, etc.

8. ADP Used for Reporting or Operational Data. Many activities are highly dependent on ADP for either operations or providing data or information on which management decisions are made. While use of ADP can save time, there are issues of reliability and security which are particularly important when the use of automated equipment is involved. If ADP is not used for the unit being assessed, check the not applicable box.

9. Personnel Resources. Select the choice which best depicts both the number of needed personnel available to perform the activity and the extent to which these personnel are adequately qualified and trained.

ANALYSIS OF INHERENT RISK. Blocks 10-19 deal with the function's inherent potential waste, fraud, abuse, or management.

10. Program Administration. An important factor in determining the vulnerability of a particular program is the extent to which DON internal control mechanisms can effectively monitor and influence program operations. If another service or a contractor has significant responsibility for program administration, inherent risk is greater.

11. Scope of Written Authority. Select one of the following:

Precise: Governing legislation or regulations, and/or delegated of authority clearly establish the amount of authority and discretion vested in program officials.

Clarification Required: The amount of authority and discretion is not clearly established.

Attachment A
to Enclosure (2)

No Written Authority: There are not written delegations or other official documentation establishing the limits on administering a program or function.

12. Age/Status of Program. A program or assessable unit which has relative stability over a period of years with the same fundamental mission can be potentially less vulnerable because procedures for administering its resources have been worked out and in place to a greater degree. Major new responsibilities or legislative changes can introduce greater potential for risk, as can situations involving phase out (expiration) or new programs.

13. External Impact or Sensitivity. Select one of the following:

Not Applicable: No external impact or sensitivity.

Low Level: Total number of individuals or organization affected are relatively small.

Moderate Level: The program serves or impacts a moderately sizable number of individuals or organization external to the activity.

High Level: Significant impact or sensitivity due to high degree of interest and potential influence of the program by external organizations. This situation exists when program managers must continuously consider the external impact of the program

14. Interaction Across Organizations. The greater the number of activity offices or outside organizations involved in carrying out the processes of a program or function, the greater the risk of error. Select one of the following:

Exclusive To One Office: (e.g., classification, telephone change requests)

Within Two Functional Offices: (e.g., procurement requests)

More than two Functional Offices: (e.g. proposed policy directives, clearance of regulations, information collection)

Involvement With Outside Organization: (e.g., payroll or administrative payment systems)

Attachment A
to Enclosure (2)

NAVHOSP29PALMSINST 5200.1
10 July 1997

15. Type of Transaction Document. An instrument is a document utilized in the approval/disapproval or execution phases of a process. The base issue is the convertibility of instruments to cash or things suitable for personal benefit. Many instruments can be converted to personal use. Select one of the following:

Non-convertible instruments: Memoranda and letters indicating a determination or approval. These are records of transactions and cannot be exchanged for cash or services.

Convertible to Services Only: Numbered items, convertible to services, not cash. (e.g. government meal tickets, GTR's)

Directly Convertible to Cash: Negotiable items; salary checks, check received by the activity, imprest fund vouchers, etc.

16. Interval Since Most recent Evaluation or Audit. The longer the interval between systematic operational reviews, the greater the likelihood that system or operational errors go undetected. It is important, therefore, that all control systems undergo periodic audits/reviews/evaluations to detect errors and initiate improvements. Indicate in block 16 the length of time passed since the last audit or evaluation, then list in block 23 the title, review, and date of any reviews or audits of program/function/activity during the previous 24 months.

17. Recent instances of errors or Irregularities. Recent errors or irregularities are indications of either a lack of internal controls or ineffectiveness or existing ones. Further, the speed with these errors are corrected can be an indication of management commitment to minimizing opportunities for waste, fraud, abuse, and mismanagement.

18. Adequacy of Reports. The accuracy and timeliness of normal recurring reports (particularly financial reports) are good indicators of a well-run operation.

19. Time Constraints. To the extent than an activity must operate under severe time constraints, the ability to produce work of consistent quality is reduced. Such

Attachment A
to Enclosure (2)

constraints generate a powerful inducement to end run system of internal control.

PRELIMINARY ASSESSMENT OF SAFEGUARDS

20. Assumed Effectiveness of Existing Controls. Select one of the following:

Controls Adequate: If control improvements are required they are of a minor nature.

Less than Adequate: Controls in need of more than minor revisions or improvements.

No Existing Controls or Costs Outweigh Benefits: Indicates the need for establishing internal control, or instances where costs unquestionably exceed the benefits derived from controls.

21. Overall Vulnerability Assessment. To arrive at the overall assessment rating add up the numerical values assigned to the blocks checked and compare the sum with the ranges indicated next to the Low, Medium, and High ratings.

22. MCR Recommended. In most cases, if you have marked a high overall VA on block 21, you should indicate "Yes". If there is a reason you feel that an MCR need to be conducted in a highly vulnerable area, provide details under Block 23, Comments. The conduct of MCRs in medium or low vulnerability areas should be in consonance with guidance issued by superiors in the chain of command. Use Block 23, Comments to provide clarification for not performing MCRs in medium and low areas (e.g. not required by HQ component guidance).

23. Comments. Provide additional detail concerning responses in other block, and any other information you feel is relevant.

24. VA Conducted By. This form should be signed and dated by the person who made the assessment and completed the form.

25. VA Approved By. The management official who approves this assessment should sign and date the form. Normally, this official would be the supervisor of the individual who made the assessment.

GUIDANCE FOR PERFORMANCE OF MANAGEMENT CONTROL EVALUATIONS

1. General. A management control evaluation is a detailed examination of an assessable unit to determine if adequate controls exist and are implemented in a cost effective manner. MCRs can take the form of an MCR or an AMCR. MCRs are used to evaluate the adequacy of control objectives and techniques, operational compliance with established controls, and operational effectiveness. AMCRs are primarily used to evaluate operational compliance with established controls, but not the adequacy of control objectives and techniques themselves. Management must determine the most appropriate and effective form of management control to be performed. Further, an MCR or AMCR need not be performed for an entire assessable unit. Where the nature of the vulnerability of an assessable unit is derived primarily as a result of specific factors affecting only a portion of an assessable unit, then it may be desirable to limit the scope of an MCR or AMCR to that portion of the assessable unit. Also, the nature and scope of the vulnerability of an assessable unit might require more than one MCR or AMCR, or any combination of the two, be performed.

2. Performance of AMCRs. Managers must prioritize, plan, and schedule AMCR efforts. AMCRs must, as a minimum, determine overall operational compliance with established controls, include testing of controls, and document all pertinent aspects of the review (i.e., the type and scope of review, responsible official, pertinent dates and facts, results of testing, key findings, and recommended corrective actions). Also, the results of AMCRs performed, including the identification of any weaknesses in management control and applicable corrective actions planned or taken, must be reported via the local followup system of the command to provide information necessary to support preparation and submission of the semiannual or annual report on results of management control evaluations. While AMCRs are intended to substitute for the traditional MCR to the extent possible, they should not be viewed as the sole process for evaluating controls in all review areas.

3. Performance of MCRs. An MCR is a comprehensive examination of all or part of an assessable unit by the responsible manager to determine the adequacy of control objectives and techniques employed, to determine the effectiveness of operational compliance with those controls, and to identify and correct weaknesses in the management control system. MCRs must be

sufficiently documented to identify the scope of the MCR, the responsible manager, pertinent dates and facts, results of testing, key findings, and recommended corrective actions. Documentation must be understandable to a reasonably knowledgeable reviewer. Attachment A and B to this enclosure provide MCR worksheets that will prove useful in documenting the performance of MCRs. There are four steps to the performance of an MCR, as described in the following paragraphs:

a. Planning the MCR. The performance of an MCR must be planned and scheduled. Risk assessment results, in combination with the results of any previous MCR or AMCR evaluations, for the assessable unit will be reviewed. The desired scope of the MCR to be performed must be defined as programmatic or procedural to describe what will be reviewed. Personnel to conduct the MCR must be assigned and target dates for completion of the MCR must be established. MCRs and AMCRs for BUMED directed areas of review under the 5-year cycle may be conducted and results reported 1 year before the fiscal year assigned in enclosure(2), but not later than this year. Reviews for local inventory units with high risk must be completed during the first 2 years of the current 5-year cycle. When local inventory units with high risk are selected for review after the first 2 years of the current 5-year cycle, the review will be completed during the fiscal year the risk was identified. To allow for a more equitable distribution of reviews during the 5-year cycle, local inventory units rated as medium risk will be planned for evaluation and results reported at any time during the entire cycle.

b. Analysis of General Control Environment. The general control environment can have a significant influence on inherent risks control objectives, and control techniques within an organization. Factors affecting the general control environment include management attitude, organizational structure, personnel resources, delegation and communication of authority and responsibility, budgeting and reporting practices, and the nature and scope of organizational checks and balances. To the extent these factors promote and support a positive and control-conscious environment, the general control environment is improved and organizational vulnerability for an assessable unit is reduced. The condition of the general control environment may also have an adverse impact on established controls. The poorer a general control environment is, the greater the need for specific control objectives and formal control techniques.

To adequately address these concerns, the reviewer must analyze the general control environment for each event cycle through the review of applicable documentation and the use of observation and interview techniques. Previously performed risk assessments should also be reviewed at this time. Briefly document the results of the analysis and identify any weaknesses in the general control environment in the comments section of attachment A to this enclosure. Examples of weaknesses that could be detected in this portion of the review might include;

- (1) An excessively decentralized organizational structure reducing management visibility and control over operations,
- (2) Inadequate personnel resources or rapid personnel turnover,
- (3) Poorly defined organizational authority and responsibility,
- (4) General lack of organizational checks and balances where one person might control virtually all management aspects of a program or resource,
- (5) Poor supervision,
- (6) Poor management support for the maintenance of effective and efficient management controls.

c. Identification Process. Organizational responsibilities for virtually all resources can be identified in terms of a series of events (event cycles) within the designated span of organizational control. These events are the steps take by the organization to get something done and normally involve receipt of some form of input, organizational output, or related management action. Each receipt, processing, and disposition event will normally possess unique aspects of inherent risk affecting organizational vulnerability. It should have corresponding control objectives and techniques established to provide reasonable assurance that effective and efficient management control of the event is achieved. To adequately evaluate these factors, the associated event cycles and the inherent risks, control objectives, and control techniques applicable to each event must be properly evaluated and

Enclosure (3)

documented. Attachments A and B to this enclosure provide worksheets to be used to accomplish and document the overall review process. When space provided on the MCR worksheets is insufficient to provide adequate documentation exists in some other form, supporting documentation can be attached or referenced on the MCR worksheet as appropriate. It must be emphasized that applicable documentation need not be duplicated when it already exists in some other form. Also, as the worksheets are essentially working papers,, they need not be typed as long as entries are legible. Flowcharting techniques can be used, but the essential elements of the identification process described below must be performed and documented.

(1) Identification and Description of Event Cycles. Use attachment A to this enclosure to identify and describe or reference each event within the defined scope of the MCR. This can be accomplished by the reviewer through review of available organizational documentation or through the use of observation and interview techniques. As these event cycles and associated control objectives and techniques will be reviewed and referenced later, it will be useful to identify each event cycle sequentially at this time. Examples could include receipt of some form of input (i. e., reports, correspondence, requisitions, supplies, equipment, personnel, products, services, benefits, information, requirements or directives necessitating some organizational action, etc.), organizational processing steps for that input, and various forms of disposition of related output or management action taken in response to that input.

(2) Identification and Analysis of Control Objectives. Identify and briefly describe or reference existing management control objectives applicable to each event cycle. Control objectives identify what should be controlled and why. In many instances control objectives will have been documented through personnel performance appraisal processes or exist in local organizational directives in some form. Some control objectives may exist informally and may not be documented, therefore requiring the use of observation or interview techniques by the reviewer to identify existing control objectives. Examples could include maintaining a certain percentage of medical equipment in a ready status at all times, affecting timely and accurate payment of dealer invoices, minimizing overtime costs, updating organizational directives in response to changing requirements in a timely manner, controlling classified material in a certain way, and preventing unauthorized access to certain areas.

(3) Analysis of Inherent Risk. Use attachment A to this enclosure to identify and describe or reference inherent risks of organizational waste, abuse, mismanagement, fraud, and unfavorable public opinion applicable to each event. Examples could include potential waste of organizational resources (i. e., supplies, personnel, equipment, data processing resources, money, etc.), telephone or copy machine abuse, mismanagement of organizational resources because of erroneous data used as a basis for management decision, fraud in areas related to contracting, compromise of sensitive or classified data, unfavorable public opinion because of lack of timely response by management, or carelessness in some area affecting the public. Consideration should not be given to the adequacy of related management controls at this stage of the review process.

d. Analysis Process. Attachment B to this enclosure provides a worksheet to be used to accomplish and document this process. Note that more than one worksheet may be used, depending on the number of event cycles identified as risk inherent. When space provided on the MCR worksheet is insufficient to provide adequate documentation or applicable documentation exists in some other form, supporting documentation can be attached or referenced on the MCR worksheet as appropriate. Applicable documentation need not be duplicated when it already exists in some other form. Also, as the MCR worksheet is a working paper, it need not be typed as long as entries are legible. Flowcharting techniques are authorized, but the essential elements of the analysis process described below must be performed and documented:

(1) Identification and Analysis of Control Techniques. Identify and briefly describe or reference existing management control techniques employed for each event. Control techniques can be generally described in terms of where a control is situated, who is responsible and accountable for a control, and how and when it operates. In many instances, control techniques are documented in local organizational directives and standard operating procedure, some control techniques will exist informally and may not be documented, requiring the use of observation and interview techniques by the reviewer to identify existing control techniques. Examples could include the use of batch balancing and hash totals to verify accuracy of transactions; use of prenumbered and controlled collection agent receipts and periodic spot checks to ensure proper cash,

Enclosure (3)

inventory, or security control; use of schedules and reports to plan and monitor performance; use of system edits and passwords to control data entry; use of locks and obstacles to preclude unauthorized physical access; or use of briefings and training programs to properly train new or inexperienced personnel.

(2) Testing of Control Techniques. The reviewer must test control techniques identified for each event cycle to ensure established controls are functioning as intended and provide reasonable assurance that effective and efficient management control of the event cycle is achieved. Testing can be accomplished by reviewer-performed operational tests of a control, observation of a control technique in operation, interviews with personnel involved with the operation of the control technique, or the appropriate combination of these methods. Briefly comment on the results of testing and identify any weaknesses in the operation of the control technique, along with planned corrective actions, in the comments section of attachment B to this enclosure. Reference or attach actual test documentation to the MCR worksheet. Actual test documentation must include date testing was completed, supplemental working papers showing what documents were reviewed, what observations and interviews were performed, and any documentation supporting the results of testing and weaknesses identified. Examples of weaknesses that could be detected in this portion of the review might include improper handling of classified material, improper authorization of transactions, performance of functions by personnel that should not be performing them, inaccurate or untimely reporting, failure of system edits and reconciliation procedures to detect errors in a timely manner, failure to properly record and report transactions, loss of control or management visibility over some events, ineffective or inefficient use of personnel resources, and problems affecting personnel safety.

(3) Identified Weaknesses in Management Control and Corrective Actions. Upon completion of the above actions, the reviewer must ensure all weaknesses detected have been properly documented on Attachment B to this enclosure, and that corrective actions have been identified for each weaknesses. This information will be used to support preparation of the management control status report and annual management control certification statement identified in enclosure (4).

NAVHOSP29PALMSINST 5200.1
10 July 1997

(4) Testing of Implemented Corrective Actions. All corrective actions implemented must be tested to ensure these actions are performing as intended. This testing must be annotated on attachment B, enclosure (3), the review documentation, and be reported as complete in the appropriate field on the management control semiannual tracker report as directed in attachment C to enclosure (4).

Enclosure (3)

	MANAGEMENT CONTROL REVIEW WORKSHEET	Page____ of____
--	-------------------------------------	-----------------

Department/Division: _____Unit Control

No.: _____

Functional

Category: _____

Assessable Unit: _____

Event Cycle(s)	Control Objective(s)	Comment(s)/ Reference(s)

Prepared By: _____ Date: _____
Reviewed By: _____ Date: _____

	MANAGEMENT CONTROL REVIEW WORKSHEET	Page ____ of ____
--	-------------------------------------	-------------------

Department/Division:_____Unit Control No:_____

Functional Category:_____

Assessable Unit:_____

Event Cycle:_____

Control Techniques/ Type of Testing Used	(S)trength (W)eakness (E)xcessive	Func- tioning (Y)es (N)o	Ade- quate (Y)es (N)o	Date Testing Completed/ Comments

Prepared By: _____ Date: _____

Reviewed By: _____ Date: _____

Attachment B
 to Enclosure (3)

MANAGEMENT CONTROL PROGRAM REPORTING REQUIREMENTS

1. To ensure implementation of the Management Control Program, the following report requirements must be met by all naval Medical Department activities:

a. Management Control Status Report. Activities must submit, for the period of 1 July through 31 December, a management control status report to MED-09CE by 30 January of each year. Reports must identify all weaknesses from the reporting command and include subordinate activity information when appropriate. The statements must be developed from all available sources including MCRs, inspections, investigations, studies, etc. Semiannual certification statements must be signed by the commander, commanding officer, officer in charge, or acting. Refer to attachment A to this enclosure for the basic format letter.

(1) Initial Report. Status for all corrected and uncorrected weaknesses discovered when conducting the MCR or AMCR. Only MCRs and AMCRs resulting in corrective action will be reported. However, recommendations for program or procedural improvements, identification of innovative control techniques, etc., may be included though no local corrective actions were identified. BUMED will rollup and review this information from claimancy-wide perspective to ascertain the materiality of weaknesses reported to CNO and to provide overall management efficiency and effectiveness. Refer to attachment B to this enclosure for the initial report format.

(2) Followup Report. Status reported for any weaknesses area with corrective action identified as incomplete in prior year statements. Refer to attachment C to this enclosure for the followup report format.

b. Annual Management Control Certification Statement. Activities must submit, for the period of 1 July through 30 June, an annual management control certification statement to MED-09CE by 15 July of each year. All weaknesses must be identified from the reporting command, including subordinate activity information when appropriate. Certification statements must be developed from all available sources including MCRs, inspections, investigations, studies, etc. Annual certification statements must be signed by the commander, commanding officer, officer in charge, or acting.

NAVHOSP29PALMSINST 5100.1
10 July 1997

SUGGESTED FORMAT FOR
MANAGEMENT CONTROL STATUS REPORT
AND ANNUAL CERTIFICATION STATEMENT

From: Commanding Officer, Naval Hospital, Twentynine Palms
To: Officer-in-Charge, Naval Healthcare Support Office, San
Diego, California 92134-5288

Subj: MANAGEMENT CONTROL STATUS REPORT or ANNUAL MANAGEMENT
CONTROL CERTIFICATION STATEMENT FOR FY _____

Ref: (a) BUMEDINST 5200.13

Encl: (1) Management Control Semiannual Tracker Report

1. Per reference (a), enclosure (1) is provided.

2. The Management Control Program at this command has evaluated for the period ending (31 December 19____ (Management Control Status Report) or 30 June 19____ (Annual Management Control Certification Statement)). Information to support this statement was derived from the management control program including audits, inspections, and other management reviews. Except for identified weaknesses and ongoing corrective actions presented in enclosure (1), the system of management control in effect for this command during this reporting period provided reasonable assurance that the objectives of the Federal Manager's Financial Integrity Act were achieved.

3. You may reach my point of contact, ENS McGowan, Head, Command Evaluation at commercial (619)830-2030.

R. S. KAYLER

Attachment A
to Enclosure (4)

NAVHOSP29PALMSINST 5100.1
10 July 1997

INITIAL REPORT FORMAT
FOR CORRECTIVE ACTIONS IDENTIFIED

1. Reviewer. Name, title, grade or rank, and telephone number (DSN and commercial) of the responsible managers conducting the MCR or reporting AMCR results.
2. Local Inventory Assessment. If local inventory review area, risk assessment result (high, medium, or low); or N/A if SECNAV, CNO, or BUMED directed.
3. Summary of Weakness. Provide a brief statement describing the weakness identified as a result of the MCR or AMCR performed. Include the problem, scope and magnitude, adverse impact or potential impact, etc.; or N/A if no weaknesses are identified.
4. Description of Corrective Actions Completed. Describe all corrective actions that were completed as of this report (this information must specifically and succinctly present how and when the action was completed); or N/A if no corrective actions are identified at the activity level.

Description of
Corrective Action

Date
Completed

5. Description of Corrective Actions Scheduled to be Completed. Describe all corrective actions not completed as of this report (this information must specifically and succinctly present what action is to be taken and when it will be completed); or N/A if no corrective actions are identified at the activity level, or all corrective actions identified were reported complete in paragraph 4 above.

Description of
Corrective Action

Date
Completed

6. Recommendations to Higher Authority. Activity recommendations to a specific senior echelon command for possible program or procedural area improvements (include identification of innovative and effective control techniques established locally, historical or recent programmatic or procedural problem areas, recommendations for weaknesses identified in paragraph 3 above that cannot be resolved at the local level, etc.); or N/A if no recommendations.

Attachment B
to Enclosure (4)

NAVHOSP29PALMSINST 5200.1
10 July 1997

FOLLOWUP REPORT FORMAT
FOR OPEN CORRECTIVE ACTIONS

1. Status of Open Corrective Actions. Identify and update only open corrective actions previously scheduled for completion which are now completed or on tract with scheduled or revised completion dates. Status will be reported as "COMPLETE" or "ON TRACK" to include date of appropriate action; or N/A if all remaining corrective actions require revised completion dates.

Open Corrective Action

Status/Date

2. Justification for Open Corrective Actions with Revised Completion Date. Identify and update only open corrective actions previously scheduled for completion that were not completed on time, or for those which you anticipate delays. Justification must include the cause for delay and establish a revised completion date; or N/A if all open corrective actions identified in your initial report are reported completed or on track in paragraph 1 above.

Open Corrective Action

Justification/Revised Completion Date

Attachment C
to Enclosure (4)